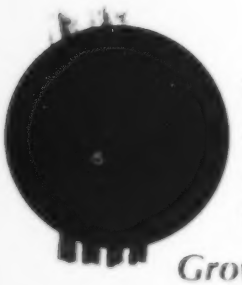
HOMEGROWN INNOVATION

Annual Report 2004/2005



FOOD DEVELOPMENT CENTRE

Growing Opportunities in Food

A Special Operating Agency of Manitoba
Agriculture, Food and Rural Initiatives

Manitoba

106-01016/

Minister of Agriculture, Food
and Rural Initiatives

His Honour
The Honourable John Harvard
Lieutenant Governor of Manitoba
235 Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

As Minister Responsible, I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Food Development Centre for the fiscal year ended March 31, 2005.

Sincerely,

Rosann Wowchuk
Minister

Manitoba

Deputy Minister of
Agriculture, Food and Rural Initiatives

Room 159
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8
(204) 945-3734

Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives
165 Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

I have the privilege of presenting to you the Annual Report of the Food Development Centre (FDC) covering the year ended March 31, 2005.

The management and staff are particularly proud of the following achievements, which clearly indicate FDC's past success and illustrate FDC's role in economic development:

- the creation of growth by 12 new employment opportunities;
- the development of 35 new food products;
- the creation or expansion of 20 food processing companies;
- the nutritional analysis of 74 products;
- fee-for-service revenues of $155,283;
- a projected contribution of $1.31 million to the gross domestic product of Manitoba over the next five years; and
- a projected contribution of $121,297 in provincial taxes over the next five years.

The $13.6 million expansion and capital acquisitions project is nearly complete. The 2005/2006 year will begin with great anticipation for the grand opening of the newly expanded and renovated FDC pilot plant which will provide increased capacity and an additional scope to support the continued growth of Manitoba's food processing industry.

Sincerely,

Barry Todd
Deputy Minister and
Chief Executive Officer

IN 2004/2005 THE ACTIVITIES OF THE FOOD DEVELOPMENT CENTRE RESULTED IN

the creation of **12** new employment opportunities,

the development of **35** new food products,

the expansion of **20** food processing companies,

in-plant troubleshooting for **11** food processing companies,

the nutritional analysis of **74** products,

fee-for-service revenues of **$155,283**,

as well as a contribution of **$1,307,484** to the GDP of Manitoba

and **$121,297** in provincial taxes

over the next **5** years.

FDC LEADS MANITOBA IN HOMEGROWN INNOVATION.

TABLE OF CONTENTS

A Note on the 2004/2005 FDC Annual Report Structure 7

FDC Organizational Chart 8

I. Introducing FDC 9
- I.1. In League with MAFRI 9
- I.2. Innovation and Healthy Economic Communities 10

II. Unwavering Focus 11
- II.1 The Vision is the Ideal 11
- II.2. The Mission is the Promise 11
- II.3. The Goals are the Pursuit 11

III. A Simple Equation 12
- III.1. Long-Term Success Factors 12
- III.2. Operating Guidelines 12

IV. Personnel Assets 14
- IV.1. Administration 14
- IV.2. Business Development 14
- IV.3. Process and Product Development 14
- IV.4. Library and Information Services 15
- IV.5. Client Service 15
- IV.6. Keeping Our Standards 15

V. In Just Four Years 16
- V.1. Building and Rebuilding 16
- V.2. Shopping Responsibly 17
- V.3. Partners with GPAP 19

VI. Continuing Excellence 20
- VI.1. Measuring Success 20
  - VI.1.1. Product Development 20
  - VI.1.2. New or Expanded Companies 21
  - VI.1.3. In-Plant Troubleshooting 22
  - VI.1.4 Job Creation 23
  - VI.1.5. Nutritional Labelling 24
  - VI.1.6. Visits to Industry Allies and Clients 26
  - VI.1.7. Initiation of New Client Relationships 27
  - VI.1.8. Good Economic Health for Manitoba 29

VI.2. Promoting our Focus on Innovation 29
VI.2.1. Marketing and Educational Services Plan 29
VI.2.2. Grand Opening Ceremonies Preparation 30
VI.2.3. International Relationships and Activities 31
VI.3. HACCP and Regulatory Services 31
VI.4. Information Services and Technology Transfer 32
VI.5. Some [Other] Extraordinary Activities 32

VII. Some Adjourning Remarks 34

VIII. Financial Statements 35

Appendices

Appendix A. FDC Advisory Board Members 48
Appendix B. FDC Public Relations Media 49
B.1. *Growing Opportunities in Food* 49
B.2. FDC Brochure 49
B.3. www.gov.mb.ca/agriculture/fdc 50
B.4. *agora* 52
Appendix C. Media Coverage 53
Appendix D. Grand Opening Ceremonies Planning Committee 61
Appendix E. Sustainable Development Initiatives and Activities 62
E.1. Research and Innovation 62
E.2. Community Economic Development 62
E.3. Waste Minimization and Substitution 63

List of Tables

Table 1. Capital acquisitions ordered by March 31, 2005 17
Table 2. Building infrastructure ordered by March 31, 2005 19
Table 3. Food products created at FDC in the 2004/2005 year 20
Table 4. Companies expanded or created with assistance from FDC in the 2004/2005 year 22
Table 5. Companies where in-plant troubleshooting was performed by FDC in the 2004/2005 year 23
Table 6. Job opportunities created as a result of FDC activities in the 2004/2005 year 24
Table 7. Products for which nutritional labels were created at FDC in the 2004/2005 year 25
Table 8. FDC visits made to processing companies and allied industry agencies in 2004/2005 26
Table 9. New client relationships generated by FDC in 2004/2005 27

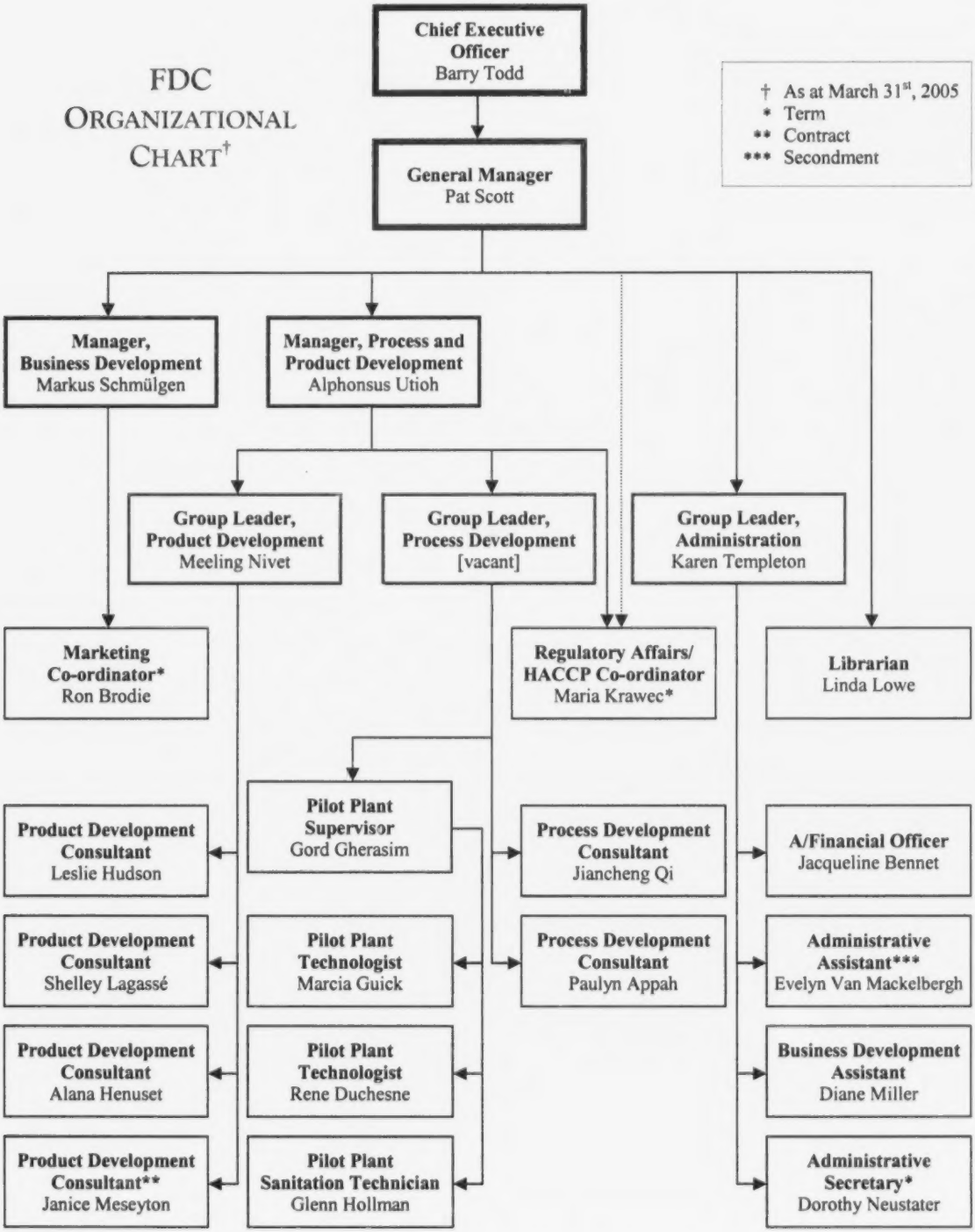
A Note on the 2004/2005 FDC Annual Report Structure

Special Operating Agencies (SOAs) are not required to follow the format guidelines established for annual reports created by government departments.

FDC is exercising its option to create a unique annual report with the purpose of illustrating through its format the exceptional activities of the 2004/2005 year.

FDC ORGANIZATIONAL CHART†

† As at March 31st, 2005
* Term
** Contract
*** Secondment



HOMEGROWN INNOVATION

I. INTRODUCING FDC

FDC is a Special Operating Agency (SOA) of Manitoba Agriculture, Food and Rural Initiatives (MAFRI).[1] FDC performs contract research and development for the value-added agricultural industry, with all aspects of research, product development, process optimization and scale-up for commercial quantities conducted by 23 in-house staff. The self-sufficiency of the Centre and the breadth of its numerous licenses establish FDC as a unique entity in North America. The pilot plant is registered for processing meat, bakery, grains and oilseeds, fruits and vegetables, dairy, industrial hemp, elk, and organic products.

FDC is in the final stages of renovating its facility, constructing a new federally registered pilot plant and acquiring sophisticated processing technology. The extensive FDC project is a testament to the support and leadership of the Centre in the Manitoba agri-food sector, and emphasizes its increasingly valuable role in the sustainable economic health of rural communities and the entire Province.

I.1. In League with MAFRI

In *Destination 2010*[2] MAFRI declared the long-term goal that "Manitoba's agriculture and food sector will be more profitable and competitive through expanded diversification and adding value." *Destination 2010* also visualized that "rural communities will be more healthy and dynamic through expanded local and economic and employment opportunities, based on a growing agriculture and food sector."

In 2005 MAFRI launched its new departmental service structure under the banner of *Growing Opportunities*.[3] The departmental tectonic shift in response to the evolution of Manitoba communities and the agri-food industry brings into high relief the important role of FDC for the economic health of the Province. In introducing *Growing Opportunities* the Minister of MAFRI, Rosann Wowchuk, stated that "along with value-added business development, community economic development and leadership programming, the 4-H programs and resources for agriculture production will still be available. The new structure will also offer access to a greater range of specialists in areas such as food commercialization."

[1] A complete description of the nature of the organization is provided in section VIII.
[2] *Destination 2010: a Strategic Roadmap for Agriculture and Food* is available from MAFRI.
[3] Information about *Growing Opportunities* is available from MAFRI.

I.2. Innovation and Healthy Economic Communities

The operations and central performance measurements of FDC are based on innovation and commercialization for the value-added agricultural sector, the positive effects of which are inherently connected with community economic development. Jobs and businesses, particularly in rural Manitoba, are created through FDC activities. The actual impact on the gross domestic product (GDP) and provincial taxes of Manitoba are quantifiable and the effect over five years is appreciable.

The brand new pilot plant and leading-edge technology at FDC are investments in the Province's research and development infrastructure for agricultural commodities. Homegrown innovation is cost-effective and translates into new wealth that is tilled back into the economic soil of a province rich in primary agricultural commodities. The predictable result is increasingly sustainable economic and community development.

II. UNWAVERING FOCUS

When FDC became a SOA on April 1, 1996, a clear vision of its role in the Manitoba agri-food industry was articulated. Its mission is a mandate FDC upholds in all its initiatives.

In the 2004/2005 year, FDC provided unflagging client service while simultaneously implementing the final and most visible stage of the five-year Strategic Plan. Juxtaposing these equally important and demanding activities during the year demonstrates the FDC commitment to its vision and mission.

II.1. The Vision is the Ideal

Increased employment and wealth through enhanced development of Manitoba as a global source of high quality food products.

II.2. The Mission is the Promise

The Food Development Centre provides leadership in the creation, expansion and diversification of the agri-food industry through its industry networks and its expertise in food processing.

II.3. The Goals are the Pursuit

i. To provide up-to-date, unbiased technical information to the agri-food industry, with emphasis on leading-edge technologies in product and process development
ii. To provide technical and federally accredited pilot plant services for the production of safe, high quality and wholesome food products
iii. To provide Manitoba with a unique liquid food packaging facility through a partnership with Great Plains Aseptic Processors
iv. To provide education and training to industry through technical seminars and workshops
v. To create awareness of value-added processing of agri-food commodities and promote the capabilities of the Food Development Centre
vi. To promote the creation of a seamless agri-food development process within Manitoba Agriculture, Food and Rural Initiatives, from idea conceptualization to product marketing
vii. To ensure co-ordination and effective use of resources across the agri-food sector by liaising with industry, academia and government
viii. To participate in co-operative projects that will influence the production of primary products that may be processed within Manitoba

III. A SIMPLE EQUATION

In its five-year Strategic Plan, FDC identified seven criteria essential to its long-term success. Eight operating guidelines were designed and continue to illuminate all FDC activities and initiatives. Thorough auto-analysis of FDC capabilities and goals is the balancing constant in the equation of planning and success at the Centre.

III.1. Long-Term Success Factors

i. FDC must act as a pivotal point for industry, serving as both leader and liaison, to assist industry in attaining and maintaining a competitive position within its markets.
ii. FDC must measure its success based on its ability to facilitate the generation of economic development within Manitoba.
iii. FDC must be able to provide a federally accredited pilot plant that provides industry with the opportunity to develop products and processes that will enable it to gain access to markets throughout the world.
iv. FDC must be able to provide leading-edge technology to industry through maintaining an inventory of up-to-date and competitive processing equipment.
v. FDC must capitalize on the strengths of strategic alliances to maximize program delivery, while maintaining economies of scale.
vi. FDC must employ a stable complement of technically qualified professional experts.
vii. FDC must use its education services as a vehicle to bring industry and technology together, creating opportunities for itself and its stakeholders.

III.2. Operating Guidelines

i. Capitalize on FDC as an engine of economic development rather than of revenue generation. This involves increased support to small clients to maximize their contribution to the economic development of the Province, while continuing support for established larger companies to provide specific services, and maintaining FDC's technical expertise and credibility.
ii. Create a seamless MAFRI agri-food development process. This process includes idea conceptualization, financing, product/process development, production and marketing stages.
iii. Develop a program to source the globe continuously for relevant food products and technologies, and introduce these to the Manitoba market through seminars, demonstrations and one-on-one consultations.
iv. Update facilities and equipment to competitive and representative levels to meet current and emerging needs and trends.
v. Be a source of technical training to the food industry.

vi. Continue current and initiate new comprehensive FDC promotion to the industry.
vii. Address special industry projects when similar services are not readily available or where immediate technical expertise is required.
viii. Ensure the provision of services to new and smaller operators, recognizing their need for local, comprehensive assistance, while at the same time offering specific services to larger companies.

IV. PERSONNEL ASSETS

People with professional integrity, training, experience and dedication fulfill the mission and goals of FDC within four units. (*See also* the "FDC Organizational Chart".)

IV.1. Administration

Five staff members provide support services for all operations in other FDC units. They supply efficient delivery of written correspondence, quarterly reports, annual reports and course materials. Accounting, computer, building maintenance and human resource services are administered by this group. A comfortable reception area is maintained and attended at all times by friendly and accommodating staff for the attentive welcome of all visitors.

IV.2. Business Development

Two employees publicize the capabilities and services of FDC to food processors, industry, economic development agencies, other government departments and the public to support economic development in Manitoba. Clients are assisted with gaining access to trade shows, funding programs and market opportunities. Seminars, educational events and training opportunities are organized and sponsored by this group. Industry and client tours, visits from foreign delegations and public relations events are co-ordinated by this unit.

IV.3. Process and Product Development

This unit has the greatest number of staff within several divisions reporting to the Manager of Process and Product Development. Six Product and Process Development Consultants work with clients on perfecting product formulations and process optimization. Chemical and microbiological testing, including shelf-life studies and sensory analysis, are conducted. Staff perform nutritional analysis and create product labels. Consultants and four pilot plant employees work directly with clients in test market trials and commercial production of new food products and processes. Food safety plans based on HACCP (hazard analysis critical control points) principles are developed and monitored by a Regulatory Affairs/HACCP Co-ordinator. All staff in this group ensure regulatory requirements are complied with in all client and FDC project activities.

IV.4. Library and Information Services

The Librarian collects business, regulatory, food science and technology, news and intellectual property information. Staff and clients are assisted in researching and obtaining prior information about products or technology. Government, industry and the research community request and obtain literature searches, reference services and published information. The FDC website is maintained and the newsletter, *agora*, is edited by the Librarian. The mandate of the FDC Library is to provide information without bias that is current, accurate, relevant and complete.

IV.5. Client Service

Services performed at FDC often involve teamwork among staff from more than one unit. Conversely, different staff units sometimes provide similar services. Services are thus characterized according to nature of the activity, rather than by department. There are eight service lines at FDC.

i. Product Development Services
ii. Process Development Services
iii. Nutritional Labelling Services
iv. Regulatory Affairs/Hazard Analysis Critical Control Point (HACCP) Services
v. Information Services
vi. Technology Transfer
vii. Educational Services
viii. Special Projects

Section VI.1. outlines achievements in client services for the 2004/2005 year.

IV.6. Keeping Our Standards

MAFRI pointed out in *Destination 2010* that "the people we serve [are] our foremost priority." FDC has endorsed and defined that ethic through six key operating standards that demonstrate our strong corporate integrity and stewardship.

i. Maintaining total client confidentiality
ii. Providing industry with up-to-date technological information and product and process development services that make it competitive in the global market
iii. Maintaining a federally accredited pilot plant
iv. Assisting in the production of high quality, wholesome and safe food products from Manitoba
v. Delivering quality services on time and on budget
vi. Maintaining pricing practices that are fair and competitive

V. IN JUST FOUR YEARS

In the five-year Strategic Plan, FDC mapped out its intended activities and projected superior results. The Strategic Plan has been built around three major initiatives, and each subsequent annual Business Plan has projected specific activities and results to advance the progress of the five-year plan. Careful yet challenging annual projections with successful achievements have affirmed the merit of the Strategic Plan.

With the investment of government, FDC said it could take its ideal to galvanize innovation in the Manitoba agri-food industry and transfigure it into infrastructure and economic wealth in five years. In just fours years, see what we have accomplished.

V.1. Building and Rebuilding

On September 4, 2003, the autumnal ground was broken for the start of construction on the new FDC pilot plant. Throughout the 2004/2005 year, the final phase of construction of the new pilot plant and renovation of the existing facility has been the preoccupying activity of all FDC staff.

One of the three major initiatives of the five-year Strategic Plan has been to renovate and to expand the existing FDC building to standards that are commensurate with Canadian Food Inspection Agency (CFIA) registration. The new pilot plant was designed and built according to prerequisites in accordance with the HACCP (hazard analysis critical control points) system, an essential aspect of obtaining CFIA registration for the facility.

Products manufactured in facilities licensed by the CFIA are eligible for export to other Canadian provinces and countries. FDC clients are energized and poised to take advantage of the expanded marketplace and greater opportunities for trade that will become open to them.

The nearly completed FDC expansion is an 18,800-square foot pilot plant incorporated into the existing facility. The new pilot plant consists of three discrete suites for processing the major agricultural commodity groups produced in Manitoba. Meat products, grains and oilseeds, and fruits and vegetables are manufactured in the separately operating processing chambers.

At March 31, 2005, $5,978,135.36 has been spent on building construction and renovations.

V.2. Shopping Responsibly

The second major initiative of the five-year Strategic Plan has been to implement a capital acquisition plan that directly addresses the food processing requirements for innovative value-added processing of Manitoba's agricultural commodities.

Purchasing capital assets on behalf of a projected group of stakeholders comes with great responsibility. An Equipment Team of FDC staff was convened when government funding approval was obtained in April, 2002. The onerous task of the team has been to research potential technology purchases carefully for criteria such as cost, range of applications, quality, skill level required for use and after-sales support.

At March 31, 2005, $2,193,272.35 has been expended for the purchase of new pilot plant and laboratory technology at FDC.

Acquisition	Cost in Canadian dollars
Piston filler	44,505.60
Cold press	46,372.28
Pulper finisher	25,293.95
Laboratory centrifuge	42,782.35
ATP analyzer	4,365.60
Headspace analyzer	20,265.14
Sieve shaker	6,328.80
Semi-auto capper	24,389.04
Semi-auto labeller	4,648.24
Band sealer	19,545.69
Wet/Dry vacuum	1,562.20
Microscope	6,255.22
Screen separator	11,798.80
Meat grinder	5,836.85
Range/Oven	1,229.43
Dishwasher	897.93
Top loading balance (2)	5,076.90
Third air compressor	15,111.61
Proofer	14,177.50

Table 1.
Capital acquisitions ordered by March 31, 2005

Acquisition	Cost in Canadian dollars
Reverse osmosis unit	10,723.10
Sausage stuffer parts (1)	7,169.00
Sausage stuffer parts (2)	9,523.00
Viscometer	9,065.80
Tray dryer	121,104.55
Ice maker	3,260.59
Analytical balance	3,852.58
Heat sealer	8,788.50
Moisture analyzer	4,519.68
Environmental cabinet	50,171.65
Texture analyzer	37,245.18
Tetra Rex equipment	13,269.86
Supercritical extractor	242,269.40
Spray dryer	351,816.00
Blancher simulator	23,347.80
Spectrophotometer	3,155.43
De-aerator	46,902.54
Reverse osmosis	285,683.35
Air compressor	36,432.43
Refractometer	7,161.73
Laboratory homogenizer	23,552.35
Steam kettle	44,603.04
Juice press	66,507.18
Auger filler	30,072.56
Revolving oven	41,826.47
Freeze dryer	64,681.81
Commercial juice extractor	114,134.79
Metal detector	19,078.10
Fire suppression system	3,265.33
TA pilot	200,000.00
Centrifuge controls	26,161.50
Total	**$ 2,193,272.35**

Table 1. continued
Capital acquisitions ordered by March 31, 2005

Acquisition	Cost in Canadian dollars
Boiler	163,336.57
Floor heating system	30,478.95
Hot water heater	9,917.12
Handwash basins	13,620.00
Hose stations	20,090.00
Sanitary steam filter	18,698.25
Total	***$ 256,140.89***

Table 2.
Building infrastructure ordered by March 31, 2005

V.3. Partners with GPAP

The third major initiative of the five-year FDC Strategic Plan has been to collaborate with Great Plains Aseptic Processors (GPAP) to provide industry with access to contract services including research and development, product development, and commercial production, packaging and labelling of aseptically processed liquid food products.

One of the four processing suites in the newly constructed pilot plant will house the aseptic processing and packaging operations of GPAP, implementing Tetra Pak technology and materials.

Negotiations and formalization of lease and operating agreements have been progressing throughout the 2004/2005 year. Full implementation of the GPAP/FDC operating partnership is nearly a reality and will be achieved in the 2005/2006 year.

VI. CONTINUING EXCELLENCE

Though staff were occupied a great deal with the building and capital acquisitions project in the 2004/2005 year, FDC client services have continued unabated with flourishing results.

VI.1. Measuring Success

Attempts to forecast annual FDC performance measurements are made as projections in the Business Plan at the beginning of each fiscal year. Projections are challenging markers that are slightly higher than the greatest likely performance, the intent being to measure actual maximum performance and to identify the range for possible improvement at the high end of excellence.

Achievements at FDC in the 2004/2005 were admirable, despite hindrances to usual operations. Services in the pilot plant were suspended occasionally due to renovations and the transfer of equipment from the old to the new facility.

VI.1.1. Product Development

The FDC Product and Process Development group conducted research and development projects that resulted in new agri-food products and ingredients. Some products are in distribution in the retail market.

Other products have been developed only to the research stage. Clients make cost-effective decisions on whether to pursue commercial development at FDC. Some clients commercialize the product in their own facilities. Product prototypes at the laboratory scale have to be reformulated for shelf stable commercial quantities, which occurs in the scale-up stage.

Achievement: 35 new products developed

Product	*New Technology Used*	*Marketing Status*	*Client Location*	*Company Size*
Jams/Jellies	Kettles	Research	Winnipeg, Manitoba	< 10 employees
Elk jerky	Smokehouse	Research	Stonewall, Manitoba	< 10 employees
Perogies	Headspace analyzer	Commercial	Winnipeg, Manitoba	< 30 employees

Table 3.
Food products created at FDC in the 2004/2005 year

Product	New Technology Used	Marketing Status	Client Location	Company Size
Ground beef products	N/A	Research	Winnipeg, Manitoba	< 20 employees
Wild boar pepperoni	Stuffer, linker	Scale-up	Seddons Corner, Manitoba	< 10 employees
Red pepper relish and jelly	N/A	Standardization	Winnipeg, Manitoba	< 10 employees
Perogies (cheese and dill flavour)	Headspace analyzer	Scale-up	Winnipeg, Manitoba	< 10 employees
Hemp energy bar	Former	Scale-up	Winnipeg, Manitoba	< 30 employees
Flax flour	Kettles	Scale-up	Winnipeg, Manitoba	< 10 employees
Dog biscuit treats	N/A	Research	Winnipeg, Manitoba	< 10 employees
Salad dressing	Filler, homogenizer	Research	Winnipeg, Manitoba	< 5 employees
White base cake	Mixer	Research	Winnipeg, Manitoba	< 5 employees
Blueberry processed products	N/A	Scale-up	Winnipeg, Manitoba	< 5 employees
Meat condiment	Filler	Scale-up	Winnipeg, Manitoba	< 5 employees
Protein bar	N/A	Research	Winnipeg, Manitoba	< 5 employees
Meat analogues	Mixers, former	Research	Winnipeg, Manitoba	> 50 employees
Cucumber pickles	N/A	Shelf-life	Winnipeg, Manitoba	< 10 employees
Energy bar	Former	Research	Winnipeg, Manitoba	< 10 employees
Honey butter	Kettles, de-aerator	Commercial	Winnipeg, Manitoba	< 10 employees
Hashbrown potatoes	Blancher, shredder, dryer	Research	Carberry, Manitoba	< 5 employees
Noni juice	Kettles, fillers	Commercial	Montréal, Québec	< 20 employees
Vegetable and herb outer wraps	N/A	Research	British Columbia	< 5 employees

Table 3. continued
Food products created at FDC in the 2004/2005 year

VI.1.2. New or Expanded Companies

Clients that pursue a project at FDC to the commercialization stage have created products that are eligible for the retail distribution market. Clients are able to establish a new business or expand a current business by renting processing equipment and the FDC pilot plant to develop their products commercially on a preliminary basis. Some clients obtain assistance from FDC in equipment selection for establishing their own processing facilities.

Achievement: 20 food processing companies created or expanded

Product	*Type of Assistance*	*Company Location*	*Company Size*
Vegetables and fruits	Technical development, market development	Petersfield, Manitoba	< 5 employees
Pea fibre	Technical	Portage la Prairie, Manitoba	< 10 employees
Cakes	Technical, scale-up	Winnipeg, Manitoba	< 10 employees
Beverages	Technical	Portage la Prairie, Manitoba	< 10 employees
Honey butter	Market development	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Product enhancement, technical development	Manitoba	< 20 employees
Vegetables and fruits	Technical	Winnipeg, Manitoba	< 5 employees
Vegetables and fruits	Technical	Portage la Prairie, Manitoba	< 5 employees
Vegetables and fruits	Technical	Carberry, Manitoba	< 25 employees
Grains and oilseeds	Standardization	Manitoba	< 10 employees
Grains and oilseeds	Processing and safety	McGregor, Manitoba	< 25 employees
Vegetables and fruits	Market development	Petersfield, Manitoba	< 10 employees
Vegetables and fruits	Technical	Winnipeg, Manitoba	< 70 employees
Vegetables and fruits	Technical	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Technical	Winnipeg, Manitoba	< 10 employees
Meat	Technical	Winnipeg, Manitoba	< 30 employees
Bakery	Technical	Winnipeg, Manitoba	< 30 employees
Vegetables and fruits	Technical	Winnipeg, Manitoba	< 10 employees
Meat	Technical	Winnipeg, Manitoba	< 100 employees
Vegetables and fruits	Technical development, market development	Peachland, British Columbia	< 30 employees

Table 4.
Companies expanded or created with assistance from FDC in the 2004/2005 year

VI.1.3. In-Plant Troubleshooting

Some FDC clients are small- or medium-sized enterprises with established product lines, but limited internal research and development resources. FDC Process Development staff work with these clients in their own facilities to identify production

problems, to develop more cost-efficient processing solutions, to optimize process design and to determine whether there are any other areas for improvement in process or operation of the client facility.

Achievement: In-plant troubleshooting for 11 companies

Product	*Type of Assistance*	*Company Location*	*Company Size*
Vegetables and fruits	Packaging	Winnipeg, Manitoba	< 30 employees
Liquid foods	Technical	Portage la Prairie, Manitoba	< 10 employees
Vegetables and fruits	Technical	Portage la Prairie, Manitoba	< 10 employees
Meat	Quality control	Winnipeg, Manitoba	> 200 employees
Vegetables and fruits	Quality control	Winnipeg, Manitoba	< 10 employees
Meat	Quality control	Winnipeg, Manitoba	> 200 employees
Vegetables and fruits	Packaging	Winnipeg, Manitoba	< 30 employees
Vegetables and fruits	Shelf-life	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Shelf-life	Winnipeg, Manitoba	< 20 employees
Meat and bakery	Sensory evaluation	Winnipeg, Manitoba	< 30 employees
Vegetables and fruits	Consumer acceptance	Calgary, Alberta	> 30 employees

Table 5.
Companies where in-plant troubleshooting was performed by FDC in the 2004/2005 year

VI.1.4. Job Creation

As a result of FDC activities new agri-food processing companies are created or expanded. Entrepreneurs or established businesses frequently need to hire employees to perform a new or greater task load.

Achievement: 12 new employment opportunities were created

Number of Jobs	*Product*	*Company Location*	*Company Size*
2	Liquid foods	Portage la Prairie, Manitoba	< 10 employees
2	Vegetables and fruits	Portage la Prairie, Manitoba	< 5 employees
1	Vegetables and fruits	Carberry, Manitoba	< 25 employees

Table 6.
Job opportunities created as a result of FDC activities in the 2004/2005 year

Number of Jobs	Product	Company Location	Company Size
5	Honey butter	Winnipeg, Manitoba	< 10 employees
2	Salad dressing/sauces	Winnipeg, Manitoba	< 10 employees

Table 6. continued
Job opportunities created as a result of FDC activities in the 2004/2005 year

VI.1.5. Nutritional Labelling

In the 2003/2004 year, Nutritional Labelling became a new service line at FDC. The Nutritional Labelling service line was implemented in anticipation of the great increase in industry demand for the service when new Canadian food labelling regulations were created in 2003. Canadian food labelling legislation requires that processed and packaged food products for commercial sale include a label declaring the nutritional contents of the product.[4]

Projected performance measures for what is only the second year of existence for the Nutritional Labelling service line were cautiously underestimated and actual labelling activities were highly popular with clients. Demand for the service is expected to remain high as food processors note the date for mandatory implementation of the regulations. Clients also perceive the competitive marketing advantage of labelling products even where exemptions from the legislation are permitted.

Achievement: Nutritional labelling of 74 products

Product	Marketing Status	Company Location	Company Size
Grains and oilseeds	Commercial	Minnedosa, Manitoba	< 10 employees
Vegetables and fruits	Commercial	Manitoba	< 10 employees
Vegetables and fruits	Commercial	Winnipeg, Manitoba	< 20 employees
Vegetables and fruits	Commercial	Winnipeg, Manitoba	< 30 employees
Meat	Scale-up	Manitoba	< 10 employees
Vegetables and fruits	Market development	Oak River, Manitoba	< 10 employees
Grains and oilseeds	Market development	Winnipeg, Manitoba	> 50 employees

Table 7.
Products for which nutritional labels were created at FDC in the 2004/2005 year

[4] Complete regulations, including dates of compliance and exceptions, are available from Health Canada.

Product	Marketing Status	Company Location	Company Size
Vegetables and fruits	Production	Winnipeg, Manitoba	> 100 employees
Vegetables and fruits	Research	Winnipeg, Manitoba	< 10 employees
Beverages	Market development	Steinbach, Manitoba	< 10 employees
Meat	Market development	Rossburn, Manitoba	< 10 employees
Vegetables and fruits	Scale-up	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Commercial	Manitoba	< 50 employees
Vegetables and fruits	Commercial	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Commercial	Portage la Prairie, Manitoba	< 30 employees
Vegetables and fruits	Commercial	Petersfield, Manitoba	< 10 employees
Meat	Commercial	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Commercial	Stonewall, Manitoba	< 20 employees
Meat	Research	Oakville, Manitoba	< 10 employees
Meat	Commercial	Altona, Manitoba	< 10 employees
Fish	Commercial	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Commercial	Winnipeg, Manitoba	< 20 employees
Grains and oilseeds	Research	Carberry, Manitoba	< 10 employees
Meat	Commercial	McCreary, Manitoba	< 10 employees
Vegetables and fruits	Commercial	Winkler, Manitoba	< 10 employees
Meat	Research	Winnipeg, Manitoba	< 10 employees
Meat	Research	Winnipeg, Manitoba	< 10 employees
Bakery	Research	Winnipeg, Manitoba	< 10 employees
Bakery	Commercial	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Commercial	Minnedosa, Manitoba	< 10 employees
Beverages	Commercial	Winnipeg, Manitoba	< 10 employees
Processed entrées	Commercial	Winnipeg, Manitoba	< 20 employees
Vegetables and fruits	Commercial	Portage la Prairie, Manitoba	< 10 employees
Bakery	Commercial	Winnipeg, Manitoba	< 10 employees
Bakery	Commercial	St. Paul, Manitoba	< 10 employees

Table 7. continued
Products for which nutritional labels were created at FDC in the 2004/2005 year

VI.1.6. Visits to Industry Allies and Clients

FDC staff visit clients in their own facilities to develop a better perception of services that might be required and to introduce the capabilities of the Centre.

Achievement: Visits made to 13 companies

Product	Purpose for Visit	Company Location	Company Size
Pea fibre	Audit plant for process and HACCP	Portage la Prairie, Manitoba	< 10 employees
Bakery	Tour of plant and business development	Winnipeg, Manitoba	< 50 employees
Process development	Develop business relations and exchange technologies	Leduc, Alberta	< 30 employees
Honey	Develop relations for manufacture of honey butter in Manitoba	Gilbert Plains, Manitoba	< 30 employees
Vegetables and fruits	Introduction of new FDC staff	Carberry, Manitoba	> 500 employees
Vegetables and fruits	Equipment and technology evaluation	Denmark	< 100 employees
Vegetables and fruits	Introduction of new FDC staff and discussion of value-added opportunities for buckwheat	Morden, Manitoba	< 100 employees
Grains and oilseeds	Discussion for potential co-operation in proposed project for in-kind support	Minnedosa, Manitoba	< 70 employees
Bakery	Develop relations for project expansion	Winnipeg, Manitoba	< 70 employees
Meat and bakery	Develop relations for project development and recommendations for packaging	Winnipeg, Manitoba	< 10 employees
Liquid foods	Project development for batch and final product tests	Portage la Prairie, Manitoba	< 10 employees
Bakery	Equipment sourcing	Winnipeg, Manitoba	< 30 employees
Meat	Develop relations for potential projects	Winnipeg, Manitoba	< 30 employees

Table 8.
FDC visits made to processing companies and allied industry agencies in 2004/2005

VI.1.7. Initiation of New Client Relationships

FDC receives many requests for free initial consultations with Product and Process Development Consultants and for tours of the facility to discuss their agri-food business ideas and FDC capabilities. FDC Business Development staff initiate contact with many agricultural producers and food processing business-owners to discuss value-added market opportunities. In the 2004/2005 year, FDC staff invested a great deal of time and effort in developing relationships with new clients.

Achievement: 53 new client relationships initiated

Product	Company Location	Company Size
Vegetables and fruits	Winnipeg, Manitoba	< 10 employees
Fish	Winnipeg, Manitoba	< 30 employees
Vegetables and fruits	Winnipeg, Manitoba	< 20 employees
Meat	Winnipeg, Manitoba	< 10 employees
Bakery	Toronto, Ontario	< 10 employees
Beverage	Moose Jaw, Saskatchewan	< 10 employees
Grains and oilseeds	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	New York City, New York	< 10 employees
Vegetables and fruits	Iles des Chênes, Manitoba	< 10 employees
Meat	Winnipeg, Manitoba	> 200 employees
Meat	Manitoba	< 10 employees
Meat	Manitoba	< 10 employees
Meat	Winnipeg, Manitoba	< 20 employees
Grains and oilseeds	Manitoba	> 50 employees
Grains and oilseeds	Winnipeg, Manitoba	> 20 employees
Grains and oilseeds	Winnipeg, Manitoba	> 50 employees
Grains and oilseeds	McGregor, Manitoba	< 25 employees
Grains and oilseeds	Portage la Prairie, Manitoba	< 25 employees
Grains and oilseeds	Carman, Manitoba	< 25 employees
Grains and oilseeds	Winnipeg, Manitoba	< 25 employees
Vegetables and fruits	Carberry, Manitoba	< 20 employees
Vegetables and fruits	Manitoba	< 5 employees

Table 9.
New client relationships generated by FDC in the 2004/2005 year

Product	Company Location	Company Size
Vegetables and fruits	Winnipeg, Manitoba	> 50 employees
Vegetables and fruits	Portage la Prairie, Manitoba	< 5 employees
Vegetables and fruits	Winnipeg, Manitoba	< 5 employees
Vegetables and fruits	Peachland, British Columbia	< 5 employees
Vegetables and fruits	Carman, Manitoba	< 5 employees
Fish	Winnipeg, Manitoba	< 20 employees
Vegetables and fruits	Midvale, Utah	< 10 employees
Vegetables and fruits	Winnipeg, Manitoba	< 20 employees
Meat	Seddons Corner, Manitoba	< 10 employees
Meat	Rossburn, Manitoba	< 10 employees
Bakery	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Dauphin, Manitoba	< 10 employees
Bakery	Winnipeg, Manitoba	< 10 employees
Packaging	Winnipeg, Manitoba	< 10 employees
Meat	Winnipeg, Manitoba	> 100 employees
Vegetables and fruits	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Winnipeg, Manitoba	< 10 employees
Vegetables and fruits	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Winnipeg, Manitoba	< 20 employees
Vegetables and fruits	Carberry, Manitoba	< 20 employees
Meat	Winnipeg, Manitoba	< 10 employees
Grains and oilseeds	Steinbach, Manitoba	< 10 employees
Meat	River Hills, Manitoba	< 10 employees
Grains and oilseeds	Austin, Manitoba	< 10 employees
Meat	Oakville, Manitoba	< 10 employees
Grains and oilseeds	Emerson, Manitoba	< 10 employees
Grains and oilseeds	Carberry, Manitoba	< 10 employees
Grains and oilseeds	Winnipeg, Manitoba	< 10 employees
Meat	Swan River, Manitoba	< 10 employees

Table 9. continued
New client relationships generated by FDC in the 2004/2005 year

VI.1.8. Good Economic Health for Manitoba

Despite the 2004/2005 year focus on the expansion and renovation project, FDC activities continued to generate wealth for Manitoba, contributing to the economic health of the Province.

Client service activities at FDC in the 2004/2005 year generated fee-for-service revenues of $155,283.

The creation of job opportunities and new and expanded businesses as a result of FDC activities contributes wealth to the economy of the Province. The effect of FDC activities on the gross domestic product (GDP) of Manitoba in the 2004/2005 year was an increase of $237,724, which has a five-year impact of $1,307,484. The increase in provincial tax revenue was $22,054, which translates into a five-year impact of $121,297.[5]

The expansion and renovation project resulted in the creation of 82 man years of employment. The total increase in provincial tax revenue as a result of re-investment in the facilities and equipment at FDC is $616,082.

VI.2. Promoting our Focus on Innovation

Marketing activities at FDC became quite diversified in the 2004/2005 year. Publicizing the imminent completion of the new pilot plant developed into a major focus for FDC staff, while the Marketing and Educational Services Plan[6] remained an important priority. Opportunities for international marketing of FDC arose during the year and were capitalized on.

The common message broadcast in all FDC marketing activities is that FDC is dedicated to locally-generated innovation in the value-added sector for agricultural commodities.

VI.2.1. Marketing and Educational Services Plan

The Marketing and Educational Services Plan is a blueprint that originated in the FDC five-year Strategic Plan. The Marketing Plan is a practicable business development design for promoting the capabilities of FDC to the value-added agri-food industry.

[5] The Manitoba Bureau of Statistics calculated the effect on GDP and on provincial taxes.
[6] The Marketing and Educational Services Plan is available in detail in the 2004/2005 FDC Business Plan.

The public media were vehicles for promoting FDC capabilities and its approaching April 2005 pilot plant Grand Opening:

- FDC developed a new slogan, *Growing Opportunities in Food* (*See also* Appendix B.1.)
- FDC updated its primary brochure (*See also* Appendix B.2.)
- Radio advertisements were developed and broadcast on the Portage la Prairie station CFRY Radio and CKLQ Radio in Brandon
- FDC Business Development staff have a consistently positive relationship with the staff at the Portage la Prairie daily newspaper, which led to the publication of several articles and captioned photos about FDC in *The Daily Graphic* during the 2004/2005 year (*See also* Appendix C.)
- The FDC website is designed and frequently updated to promote the Centre as a regular source of knowledge about and services for the agri-food industry (*See also* Appendix B.3.)
- Three issues of the FDC newsletter, *agora*, were published and distributed through the mail and posted on the FDC website (*See also* Appendix B.4.)

VI.2.2. Grand Opening Ceremonies Preparation

The brand new FDC pilot plant will be unveiled to the public early in the 2005/2006 year. A great deal of planning for the Grand Opening Ceremonies occurred in the 2004/2005 year. A committee was created to arrange all aspects of the day of celebration, which is scheduled to take place on April 21, 2005 (*See also* Appendix D.). In order to ensure that the Grand Opening is well-publicized before and after the event, FDC hired a Marketing Co-ordinator to act as Chair for the Grand Opening Ceremonies Planning Committee.

The Marketing Co-ordinator has been developing media kits radio and newspaper outlets to invite representatives to attend and report on what will be a major industry event. A promotional brochure for the Grand Opening event was created and mailed out at the end of March, 2005 to more than 2700 industry stakeholders in Manitoba, other Canadian provinces, the United States and other countries.

Based on the marketing alone, the Grand Opening Ceremonies event has every probability of being a huge success. However, the task of the Marketing Co-ordinator only begins with planning the publicity for the Grand Opening Ceremonies. After the event, the Marketing Co-ordinator will work with the Business Development Manager to maintain the momentum of industry interest generated by the Grand Opening.

The Marketing Co-ordinator and Business Development Manager will initiate or renew relationships with clients and allies in industry, community economic development corporations, research organizations and other provinces and countries. The

result will be that opportunities for innovation will be actualized through research and development in the new pilot plant.

VI.2.3. International Relationships and Activities

With the imminent CFIA registration of the FDC pilot plant, FDC has correctly anticipated increased client interest in export activities.

In the 2004/2005 year, the FDC Business Development Manager accompanied a client of the Centre on a trade mission to Europe, also publicizing other FDC clients' products while abroad. The result has been a highly encouraging response from the European Community in Canadian niche market products, including processed saskatoon berry products.

On a trade mission to Germany, the Business Development Manager promoted FDC client products and the Province of Manitoba as a source of unique, high quality and nutritious processed food products.

The FDC Manager of Process and Product Development participated in a joint trade mission to Mexico with the International Trade section of Manitoba Intergovernmental Affairs and Trade. Great interest was shown by Mexican participants in the research infrastructure for the agri-food industry in Manitoba. Memoranda of Agreement were suggested for future collaborative projects between Mexico and Manitoba. Research areas of interest included potato starch for meat processing applications, and vegetable processing and storage technology.

International colleagues who met FDC and MAFRI employees on trade missions expressed interest in attending the FDC Grand Opening Ceremonies. Invitations will be sent to guests in Mexico, Germany, the United Kingdom, China and Japan.

VI.3. HACCP and Regulatory Services

In the 2004/2005 year, HACCP (hazard analysis and critical control points) prerequisites, plans and training were of utmost importance at FDC. HACCP is an internationally recognized food safety system and is mandatory in some jurisdictions, including Canada, for some food commodities. HACCP is a multi-step system for identifying high risk elements in food production practices and for reducing the potential for hazardous incidents. The intent is to minimize the danger to human health in the event of a breach of the food safety plan, not to mention reducing financial costs and loss of company reputation that accompany a product recall.

HACCP plans and prerequisites are mandatory for CFIA registration for meat processing in Canada. The new pilot plant has been designed and built to satisfy all

building prerequisites for HACCP. Equipment selection, employee practices, traffic patterns and facility maintenance must satisfy HACCP requirements in order for the FDC pilot plant to be registered as a federal processing facility.

In the 2004/2005 year, the Regulatory Affairs/HACCP Co-ordinator began to deliver personnel training sessions for clients and staff. Frequent notices are circulated when new rules for satisfying HACCP requirements are being implemented. Clear signage is placed around the facility noting mandatory safe practices that must be complied with in given processing areas.

VI.4. Information Services and Technology Transfer

FDC receives many confidential requests for information from clients and allies in the agri-food industry. The FDC Library receives requests directly from clients and as many from FDC Product and Process Development Consultants for assistance in researching a client project.

In the 2004/2005 year, the FDC Librarian performed many literature searches and reference services, selected and obtained many information materials on special request or pre-emptively, and collaborated on client projects with other staff.

The FDC Librarian responded to and anticipated requests for information in areas of current industry trends and accordingly selected, collected, organized and disseminated the information. The Library information distributed for public consumption and confidential client project applications is always selected without prejudice and for accuracy, currency, completeness and relevance.

The FDC newsletter, *agora*, was edited and the FDC website was maintained by the FDC Librarian in the 2004/2005 year.

VI.5. Some [Other] Extraordinary Activities

FDC staff from all service lines were involved in projects in the 2004/2005 year that merit special mention because of their particular success for clients and the particular satisfaction that FDC staff felt in participating in them.

- FDC is the lead research group in an ongoing innovation project for extraction and applications of wheat-based ethanol co-products called dried distillers' grains (DDG). Other stakeholders include the Manitoba Rural Adaptation Council (MRAC), Husky Oil Marketing and the Manitoba Ethanol Development Initiative Group. The research proposal qualifies for the Agricultural Policy Framework (APF) Transition Program.

- FDC has submitted a proposal under the APF Transition Program for establishing a Manitoba Functional Food and Nutraceutical Program.
- FDC has conducted laboratory research and trials for producing a high-energy cereal bar using processed industrial hemp as the main ingredient.
- FDC has signed an agreement with the Canadian Dairy Commission (CDC) to be the provider of technical advice to eligible Canadian companies in support of innovation and growth in the manufacture and applications of dairy products and dairy components.
- A Process Development Consultant from FDC participated in a China-Canada Co-operation in Agriculture Project, called the *Small Farmers in Global Markets Project*. Canadian delegates, including the FDC representative, acted as consultants to China in the country's efforts to build agri-food safety and quality assurance systems that comply with World Trade Organization (WTO) regulations.
- Under the APF Science and Innovation Program, FDC submitted a proposal for fractionation of alfalfa for value-added applications in food and feeds.

Many more activities and initiatives of great value took place during the 2004/2005 year at FDC. The above is only a small selection of examples.

VII. SOME ADJOURNING REMARKS

Already fours years have sped by since the 'nauguration of the five-year FDC Strategic Plan. The past year has been a year of great and varied activities, with a degree of shift in operations underlying all activities. FDC strove to reach its performance projections. Sometimes we succeeded, sometimes we fell short of our intentions, and in some cases we were truly overachievers. In all cases, we take great satisfaction in having maintained our vision and pursued the goal of leading Manitoba in value-added operations for the economic development of the agri-food industry, and for the community development of our many clients in agriculturally-based rural municipalities.

The 2004/2005 year has concluded on a note of great preparation and excitement for the beginning of the coming year. Plans for the Grand Opening of the brand new pilot plant and finalizing our partnership with Great Plains Aseptic Processors are merely the beginning. We look forward to redesigning our internal organizational structure to reflect the clear focus on innovation and commercialization activities, and to achieving CFIA registration for the facility, all of which is inherently part of the expansion project.

Once again, FDC concludes the year with great optimism. We thank all of our supporters, funding partners and industry allies for helping us to flourish in the past year and to prepare for the coming year.

Above all we thank our clients for honouring us with their trust in helping them to grow their own opportunities in food, and to contribute to sowing the seeds of homegrown innovation in Manitoba.

VIII. FINANCIAL STATEMENTS

FOOD DEVELOPMENT CENTRE

Financial Statements

(In Thousands)

Year Ended March 31, 2005

FOOD DEVELOPMENT CENTRE

Index to Financial Statements

Year Ended March 31, 2005

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Income and Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 10
Administrative Expenses *(Schedule 1)*	11

EXG

THE EXCHANGE

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2005 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 5, 2005

FOOD DEVELOPMENT CENTRE

Balance Sheet

(In Thousands)

March 31, 2005

	2005	2004
ASSETS		
CURRENT		
Cash	$ 462	$ 2
Restricted cash for expansion	-	765
Accounts receivable *(Note 5)*	71	88
Prepaid expenses and deposits	44	169
	577	1,024
EQUIPMENT *(Notes 2, 4)*	2,498	920
BUILDING IN PROGRESS	6,205	4,077
DEPOSIT IN JOINT VENTURE *(Note 5)*	200	-
FUNDS HELD ON DEPOSIT *(Note 6)*	30	30
SEVERANCE RECEIVABLE FROM PROVINCE *(Notes 7, 12)*	41	41
	$ 9,551	$ 6,091
LIABILITIES		
CURRENT		
Working capital payable *(Note 8)*	$ -	$ 922
Accounts payable and accrued liabilities *(Note 9)*	483	915
Accrued vacation pay *(Note 10)*	144	133
Unearned revenue	56	108
Current portion of long term debt *(Note 11)*	18	18
	701	2,126
LONG TERM DEBT *(Note 11)*	213	231
SEVERANCE LIABILITY *(Note 12)*	69	60
DEFERRED CAPITAL CONTRIBUTIONS *(Notes 2, 13)*	8,261	3,367
	9,244	5,784
EQUITY		
Retained earnings	307	307
	$ 9,551	$ 6,091

COMMITMENTS *(Note 15)*

FOOD DEVELOPMENT CENTRE

Statement of Income and Retained Earnings

(In Thousands)

Year Ended March 31, 2005

	2005	2004
REVENUE		
Grants - Province of Manitoba	$ 1,934	$ 1,789
Contract - National Research Council	-	13
Fee for service	163	181
Lease income	17	14
Interest and other income	1	17
Amortization of deferred capital contributions	112	31
	2,227	2,045
DIRECT OPERATING EXPENSES		
Lab supplies	69	36
Purchased services	76	47
Travel	73	53
Salaries	1,039	1,096
Postage, courier and telephone	52	45
Printing and stationery	9	10
Marketing	75	90
Library	36	43
Satellite office	7	7
	1,436	1,427
GROSS PROFIT	791	618
ADMINISTRATIVE EXPENSES *(Schedule 1)*	787	618
INCOME FROM OPERATIONS	4	-
OTHER INCOME	(4)	(93)
NET INCOME	-	93
RETAINED EARNINGS - BEGINNING OF YEAR	307	214
RETAINED EARNINGS - END OF YEAR	$ 307	$ 307

FOOD DEVELOPMENT CENTRE

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2005

	2005	2004
OPERATING ACTIVITIES		
Cash receipts from customers	$ 145	$ 276
Cash receipts from contracts	1,934	1,857
Cash paid to suppliers and employees	(2,360)	(1,218)
Interest received	1	
Interest paid	(21)	(4)
Cash flow from (used by) operating activities	(301)	876
INVESTING ACTIVITIES		
Purchase of equipment	(3,870)	(1,263)
Deposit in joint venture	(200)	
Cash flow used by investing activities	(4,070)	(1,263)
FINANCING ACTIVITIES		
Deferred capital contributions	5,006	66
Proceeds from long term debt	-	249
Repayment of long term debt	(18)	
Cash flow from financing activities	4,988	315
INCREASE (DECREASE) IN CASH	617	(1,072)
CASH (DEFICIENCY) - BEGINNING OF YEAR	(155)	2,917
CASH (DEFICIENCY) - END OF YEAR	$ 462	$ (155)
CASH (DEFICIENCY) CONSISTS OF:		
Cash	$ 462	$ 2
Restricted cash for expansion	-	765
Working capital payable	-	(922)
	$ 462	$ (155)

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

1. NATURE OF ORGANIZATION

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services in the food, feed and beverage industries. The Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under the Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Centre operations. It finances the Centre through repayable loans and working capital advances. The financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement with the Financing Authority assigns responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Initiatives under the general direction of a General Manager and a Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Centre remains bound by relevant legislation and regulations.

The Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Equipment

Equipment assumed as part of the conversion to a Special Operating Agency, April 1, 1996, is stated at its estimated fair value, as determined by the Province of Manitoba. Equipment is stated at cost less accumulated amortization. Equipment is amortized over its estimated useful life at the following rates and methods:

Equipment and sign - strategic plan	15 years	straight-line method
Equipment and sign	30%	declining balance method
Computer hardware and software	5 years	straight-line method

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other Assets

Research and development costs are expensed as incurred.

Revenue Recognition

Fee for service revenue is recognized on percentage of completion basis and when collection is reasonably assured.

All funds received and due from the Province of Manitoba at year end have been recognized as income in the current year.

Funds received from the Province of Manitoba and the Government of Canada for the construction of the new building and purchase of equipment have been treated as deferred capital contributions and will be taken into income to match the amortization of the building and equipment.

3. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2005	2004
Trade accounts receivable	$ 133	$ 159
Allowance for doubtful accounts	(70)	(71)
Other	8	-
	$ 71	$ 88

4. EQUIPMENT

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Equipment and sign	$ 2,981	$ 508	$ 2,473	$ 884
Computer hardware and software	76	51	25	36
	$ 3,057	$ 559	$ 2,498	$ 920

Included in equipment with a net book value of $1 (2004 - $1), which is being leased to clients of the Centre.

Included in equipment and sign is equipment with a net book value of $916, which was not operational at year end.

6

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

5. DEPOSIT IN JOINT VENTURE

During the year, the Centre contributed $200 towards the purchase of a piece of equipment for Great Plains Aseptic Processors Ltd. To date, no formal agreement has been finalized as to the revenue sharing arrangement from this piece of equipment.

6. FUNDS HELD ON DEPOSIT

Effective April 1, 2000, the assets and liabilities of the analytical services division were sold to Norwest Soil Research Ltd. The Centre has received a $25 deposit from Norwest Soil Research Ltd. as part of the sales agreement. Under the agreement, Norwest must maintain certain levels of revenue from work performed in the Province of Manitoba for the cumulative period of five years from the effective date of the agreement. If they fail to meet these conditions, the deposit and accrued interest are forfeited to the Food Development Centre.

For the year ended March 31, 2002 there was a shortfall of $19 in sales, which was received in the prior year. The surplus or shortfall for the years ended March 31, 2003, 2004 and 2005 have not yet been determined.

7. SEVERANCE RECEIVABLE FROM PROVINCE

The receivable from the Province of Manitoba is for severance pay benefits earned by the employees of the Centre to March 31, 1998. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Centre.

8. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital form the Province of Manitoba of $1,000 of which $nil was used as at March 31, 2005 (2004 - $922 was used).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005	2004
Trade	$ 146	$ 56
Payroll	40	15
Professional fees	4	1
Interest	142	14
Building	142	700
Sales tax	3	11
Miscellaneous	6	57
	$ 483	$ 854

10. ACCRUED VACATION PAY

The employees of the Centre are entitled to vacation pay in the current year based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

11 LONG TERM DEBT

	2005	2004
Province of Manitoba loan bearing interest at 5.80 % per annum, with annual payments of $18 plus interest. The loan matures on April 30, 2017	$ 231	$ 249
Amounts payable within one year	(18)	(18)
	$ 213	$ 231

Principal repayment terms are approximately:

2006	$ 18
2007	18
2008	18
2009	18
2010	18

12 SEVERANCE LIABILITY

Effective April 1, 1998, the Centre commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. That responsibility is reflected by a $41 receivable from the Province of Manitoba.

An actuarial report was completed February 2001 calculating the severance pay liability balance as at March 31, 2000. This actuarial report provided a formula to update the liability on an annual basis. In accordance with the formula, the Centre's actuarial liability has been calculated to be $69 as at March 31, 2005 (2004 - $60).

8

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

13 DEFERRED CAPITAL CONTRIBUTIONS

	2005	2004
Balance, beginning of year	$ 3,367	$ 3,351
Add: Contributions received		
Government of Canada	2,381	-
Province of Manitoba	2,625	
Add: Interest received	-	67
Less: Amount amortized as revenue	(112)	(51)
Balance, end of year	$ 8,261	$ 3,367

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of equipment and construction of a building. The amortization of contributions is recorded as revenue in the statement of income and retained earnings.

The Centre received a loan from the Province of Manitoba for $2,625 bearing interest at 5.63% per annum with annual payments of $175 plus interest. The loan matures on May 18, 2019. The loan is to be repaid through future appropriations from the Province of Manitoba and therefore has been treated as a grant and recorded as deferred capital contributions to be consistent with the accounting presentation adopted by the Province of Manitoba.

As the future principal and interest payments will be funded by the Province of Manitoba, the annual principal repayment will be netted against the grant revenue received and the interest payment will be reflected as interest expense. The deferred capital contributions will be brought into income at the same rate as the corresponding building is being amortized.

14 DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

15 COMMITMENTS

The Centre is obligated to make payments to Workers Compensation for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

The Centre has a remaining commitment of $39 towards the completion of the building portion of the expansion project. At March 31, 2005, the Centre has a remaining project budget of $1,680 towards the purchase of equipment for the expansion.

The Centre has not entered into a lease agreement with the Province of Manitoba for its premises.

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2005

16. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

	2005	2004
Utioh, Alphonsus - Process and Product Development Manager	$ 83	$ 84
Scott, Pat - General Manager	88	88
Lowe, Linda - Librarian/IT Consultant	53	51
Qi, Jiacheng - Process Development Engineer	54	54
Schmulgen, Markus - Marketing Manager	72	66
Nivet, Meeling - Product Development Team Leader	57	

17. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expensed by the Centre in the current year was $68 (2004 - $55).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

18. FINANCIAL INSTRUMENTS

The Centre's financial instruments consist of cash, restricted cash for expansion, accounts receivable, funds held on deposit, severance receivable, working capital payable, accounts payable and accrued liabilities, accrued vacation payable, unearned revenue, long-term debt, and severance liability. Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

19. SUBSEQUENT EVENTS

Subsequent to year end, the Centre has been working in negotiating an agreement with Great Plains Aseptic Processors Ltd. for a lease, whereby Great Plains Aseptic Processors Ltd. will be leasing space from the Centre. The agreement has not been signed to date.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

FOOD DEVELOPMENT CENTRE

Administrative Expenses *(Schedule 1)*

Year Ended March 31, 2005

	2005	2004
Accreditation and licensing fees	$ 1	$ 1
Advisory committee fees	1	1
Amortization	160	97
Bad debts	7	8
Computer expenses	97	76
Equipment rentals	21	28
Insurance	52	45
Interest and bank charges	7	1
Interest on long term debt	142	17
Memberships	6	7
Occupancy expenses	218	240
Professional fees	32	22
Repairs and maintenance	35	19
Research and development	-	2
Training	8	16
	$ 787	$ 536

APPENDIX A.

FDC Advisory Board Members

A Management Team under the leadership of a Chief Executive Officer (CEO) directs FDC. The Management Team consists of the General Manager (GM), the Manager of Process and Product Development and the Business Development Manager (*See also* the "FDC Organizational Chart" on page 8 of this report).

Guiding the Management Team is an Advisory Board that is chaired by the Deputy Minister (DM) of MAFRI. The members of the FDC Advisory Board are as follows:

Barry Todd, Chair
CEO
Food Development Centre
Portage la Prairie, Manitoba

Ken Einarson
[retired]
Winnipeg, Manitoba

Sid Gordon
Proprietor
Gordon Farms
Neepawa, Manitoba

Marjorie Jarvis
Proprietor
Jarvis Meats
Gladstone, Manitoba

Pat Scott
GM
Food Development Centre
Portage la Prairie, Manitoba

APPENDIX B.

FDC Public Relations

B.1. Growing Opportunities in Food

FDC changed its logo in the 2004/2005 year to include a new slogan that continues to reflect its integration with its parent department MAFRI. The new slogan, *Growing Opportunities in Food*, reinforces the theme of a positive future for the agriculture industry initiated in 2005 by MAFRI with *Growing Opportunities*. The new FDC slogan also emphasizes the Centre's specialty in value-added processing of agricultural commodities.

FOOD DEVELOPMENT CENTRE
Growing Opportunities in Food

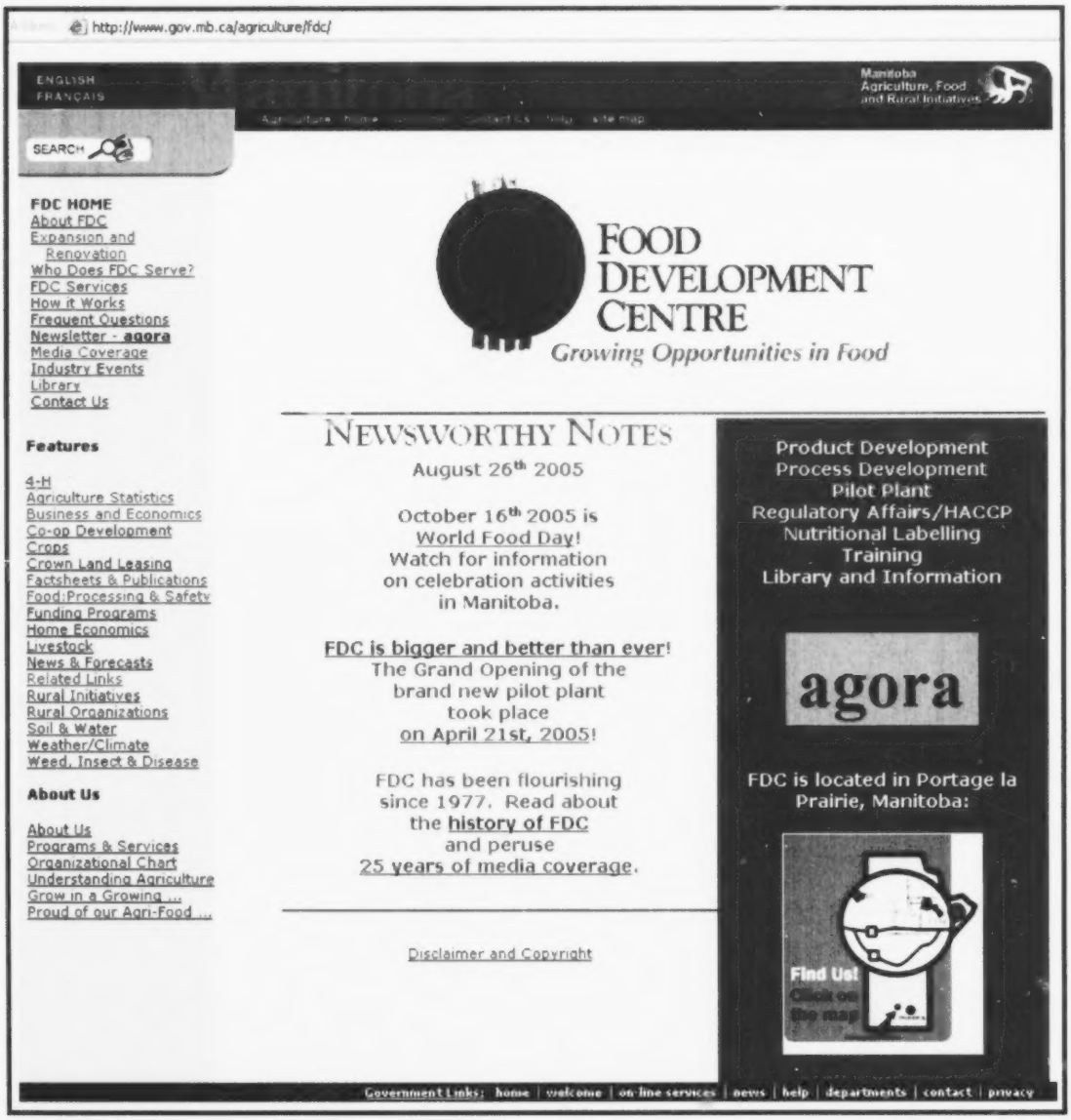
B.2. FDC Brochure

The FDC brochure was updated in the 2004/2005 year to reflect the increase in service lines and to include the new logo. The brochure is distributed at industry events, including FDC-sponsored seminars and tradeshows where FDC has an exhibit, on foreign trade missions and in information packages given to clients.

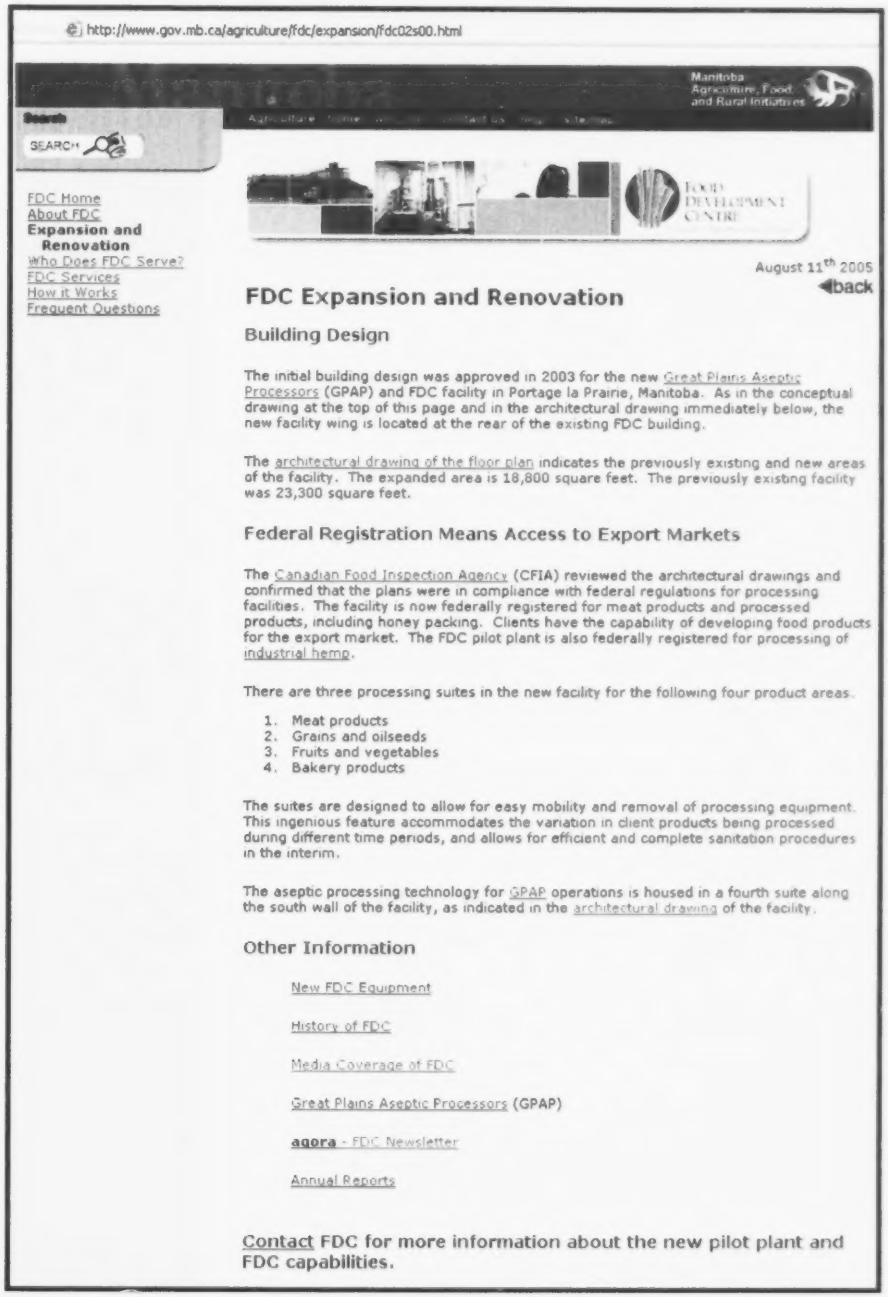
B.3. www.gov.mb.ca/agriculture/fdc

The FDC website is an excellent information resource and public relations medium for industry and clients.

The FDC Internet home page is frequently updated under the heading of "Newsworthy Notes," including postings about employment opportunities at FDC and upcoming industry events. The home page has a map of the location of FDC, relative to surrounding landmarks. Icons on the home page provide links to the service lines of FDC and the online edition of the newsletter *agora*.



In the 2004/2005 year, the FDC web page with information about the expansion, renovations and capital acquisitions project was a source of regular updates for clients and industry allies interested in the development towards the Grand Opening of the new pilot plant.



http://www.gov.mb.ca/agriculture/fdc/expansion/fdc02s00.html

Manitoba Agriculture, Food and Rural Initiatives

Search

SEARCH

FDC Home
About FDC
Expansion and Renovation
Who Does FDC Serve?
FDC Services
How it Works
Frequent Questions

August 11th 2005

back

FDC Expansion and Renovation

Building Design

The initial building design was approved in 2003 for the new Great Plains Aseptic Processors (GPAP) and FDC facility in Portage la Prairie, Manitoba. As in the conceptual drawing at the top of this page and in the architectural drawing immediately below, the new facility wing is located at the rear of the existing FDC building.

The architectural drawing of the floor plan indicates the previously existing and new areas of the facility. The expanded area is 18,800 square feet. The previously existing facility was 23,300 square feet.

Federal Registration Means Access to Export Markets

The Canadian Food Inspection Agency (CFIA) reviewed the architectural drawings and confirmed that the plans were in compliance with federal regulations for processing facilities. The facility is now federally registered for meat products and processed products, including honey packing. Clients have the capability of developing food products for the export market. The FDC pilot plant is also federally registered for processing of industrial hemp.

There are three processing suites in the new facility for the following four product areas.

1. Meat products
2. Grains and oilseeds
3. Fruits and vegetables
4. Bakery products

The suites are designed to allow for easy mobility and removal of processing equipment. This ingenious feature accommodates the variation in client products being processed during different time periods, and allows for efficient and complete sanitation procedures in the interim.

The aseptic processing technology for GPAP operations is housed in a fourth suite along the south wall of the facility, as indicated in the architectural drawing of the facility.

Other Information

New FDC Equipment

History of FDC

Media Coverage of FDC

Great Plains Aseptic Processors (GPAP)

agora - FDC Newsletter

Annual Reports

Contact FDC for more information about the new pilot plant and FDC capabilities.

B.4. agora

FDC publishes a newsletter called *agora* several times each year for public distribution. The newsletter is circulated by email and regular post when it is published and later by request. Each issue is permanently posted on the FDC website.

Government staff, industry allies, researchers and clients read *agora*. The newsletter contains stories about FDC client success, industry news and events, articles about economic development and updates on innovative research at FDC.

In the 2004/2005 year, each issue of *agora* included information about the progress of the expansion, renovations and capital acquisitions project at FDC.

volume 3 number 4
December 2004

FOOD DEVELOPMENT CENTRE

agora

FDC construction update

Alphonsus Utioh, Manager of Process and Product Development at FDC, takes a tour of recent construction progress in the new pilot plant.

FDC staff and clients are counting down the weeks as what is now the final stretch of construction and renovations for the FDC facility in Portage la Prairie, Manitoba.

Anticipation is growing as the construction on the new pilot plant is nearly complete with only renovations to the existing plant remaining.

Pilot plant staff have begun to move processing technology from the old pilot plant into the new processing suites. Brand new technology continues to arrive.

New equipment that has recently arrived includes a freeze dryer and a revolving oven. The sheer size of the new technology is a reminder of the scale of the expansion and capital acquisitions project at FDC.

In April 2002, FDC received approval from all levels of government for more than $13 million dollars in funding. Along with its private sector partner, Great Plains Aseptic Processors (GPAP), FDC has been immersed in the planning and action phases of constructing a new food processing pilot plant and acquiring advanced technology processing equipment.

In April 2006 FDC will have evolved full circle to focus on providing clients with an even higher quality and range of services than before and during construction.

The new facility has been designed and constructed in accordance with HACCP (hazard analysis and critical control points) principles.

The plant is intended to receive CFIA (Canadian Food Inspection Agency) accreditation for meat and meat products, fish and seafood, and processed products, including fruits and vegetables processing. Honey packing will be possible in the new pilot plant. Federal registration of the pilot plant in these areas allows FDC clients to process their products for the export marketplace.

The FDC pilot plant will retain its accreditation for industrial hemp, organic processing, dairy processing and elk processing.

The new pilot plant has four unique processing suites for grains and oilseeds, fruits and vegetables, meat products and bakery products. GPAP will conduct its operations in the aseptic processing suite.

The much-anticipated grand opening ceremony is planned for April 2006. Plan to attend this landmark Manitoba food industry event.

Visit the FDC website at www.gov.mb.ca/agriculture/66_expansion.html?2400.html for more information.

David La of Norris Engineering discusses installation of brand new technology with Sabrina Dean, the HACCP/ Regulatory Affairs Coordinator at FDC.

APPENDIX C.

Media Coverage

The activities of FDC and of the clients of the Centre received regular media attention in newspaper and magazine articles in the 2004/2005 year. Included here is some of the publicity FDC has received in print.

Canadians tell Europe to quit razzing saskatoon berries

By Kevin Ward
Canadian Press

LONDON—The saskatoon holds a place of pride in Western Canada, but farmers are discovering that the berry's unblemished reputation on the Prairies isn't a great help in gaining its acceptance in Britain.

Canadian saskatoon producers began a process yesterday aimed at persuading British authorities that their berries should be allowed to enter the country without any kind of special designation after the European Union recently labelled them a novel food.

An official with the Canadian High Commission in London said the EU's decision came as a surprise.

"It's one of those regulations that kind of blindsides you to some extent because you don't traditionally think of products like saskatoons as novel foods. They tend to be more complex or GMO (genetically modified) products or things like that," said Rick Cooper, counsellor for agriculture, food and fisheries.

Manitoba producer John Ritz met officials at Britain's Food Standards Agency yesterday to find the best way to get the berries into the U.K. without the novel label applied to them.

Ritz couldn't be reached for comment, but earlier this week he told the Winnipeg Free Press that the EU decision was "absurd."

"This is one of the most healthy, wholesome foods," said Ritz, whose company, Prairie Lane Saskatoons in Petersfield, just north of Winnipeg, exports the berries.

The small blue berries are native to the Prairie provinces and are also known as juneberries in northern parts of the United States where they grow as well.

Exporters see a market for the berries in Europe by selling them as a snack to be eaten on their own or sprinkled on cereal or yogurt. They could also be used in baked products.

Cooper said an application can be made in the U.K. to compare them to an equivalent food that has already been introduced in a bid to drop the EU's tag. That could mean comparing them to blueberries because they are processed and used in a similar way, although saskatoons are part of the apple family.

A spokesman for the Food Standards Agency said it could take months for the regulatory body to determine the future designation of the saskatoon in Britain.

***The Winnipeg Free Press*. April 23, 2004, pA16.**

British bureaucrats battering our berries

No proof saskatoons safe, agency says

The Winnipeg Free Press. June 3, 2004, front page.

Sweet, purplish saskatoons found too new for British tastes

Fruit that has been eaten by natives for centuries may be banned as 'novel' food

T

It's really frustrating. It seems so silly that this could be considered a novel food.

Globe and Mail. **June 7, 2004, pA3.**

Launching Scottish Treats

McGarva International Shortbread launches one product and dreams up others.

By Myron Love

A Scottish shortbread recipe is finding commercial and retail acceptance in Winnipeg and may soon be available in Australia as well as the rest of Canada.

The success story begins six years ago when Gwen Todd and her family left Scotland to take up farming in southern Manitoba. Todd became well known in her community for her shortbread based on a longstanding family recipe. She received a great deal of encouragement to commercialize her shortbread. But it was only four years ago, after seeing a sign promoting the Food Development Centre (FDC) in Portage La Prairie, that she followed up on that encouragement. She took her recipe to the FDC and McGarva International Shortbread was on its way.

The story takes one more twist though. About a year ago, Todd and her family pulled up stakes in southern Manitoba and moved to Australia. Just before they left, Todd approached Sherry Desilets to be her partner in McGarva International and continue to further develop the shortbread product here in Canada.

"The Todds were clients of ours," says Desilets whose husband operates an agricultural product supply company just outside of Winnipeg. "We had also become friends."

Desilets agreed to become a partner and

HYDROVOIMA
Bakery Machines
Industrial thin bread lines
pizza, pita, lahvash, tortilla, ...
HYDROVOIMA
WELLBAKE

packs up the site.

The FDC, in cooperation with the Manitoba Agri-Food Store at the Forks, farmers' market produced a consumer acceptance study at the Forks in Winnipeg in late of 2003, she says. "The response was favourable and we decided to move forward with the product."

In November, Desilets met with retailers and received some good feedback on how to improve McGarva International's shortbread packaging.

That same month, she placed her product at the Manitoba Agri-Food Store and a coffee shop at the Forks.

The shortbread is currently available in three types of packaging: 620 grams for restaurants and 180 grams for retail outlets. Desilets expects that she is hoping to be able to go into full production by July and is looking forward to sales of about 10,000 packages in the first year of production.

"We hope to be able to sell our shortbread year round and get more than its current seasonal identity at Christmas time," she says.

Desilets and McGarva International have already developed a second product, shortbread cookies for restaurants, coffee shops and the public – which is being test marketed at the Agri-Food Store – and other products are on the drawing board. For now, Todd will remain in Australia where she is expecting to open the bakery and cooperate from both sides of the Pacific Ocean.

Desilets says that both Todd's original shortbread recipe and the new cookie recipe are the property of the FDC. ❖

***Bakers Journal*. July, 2004, p36.**

It's
NOT
POT!

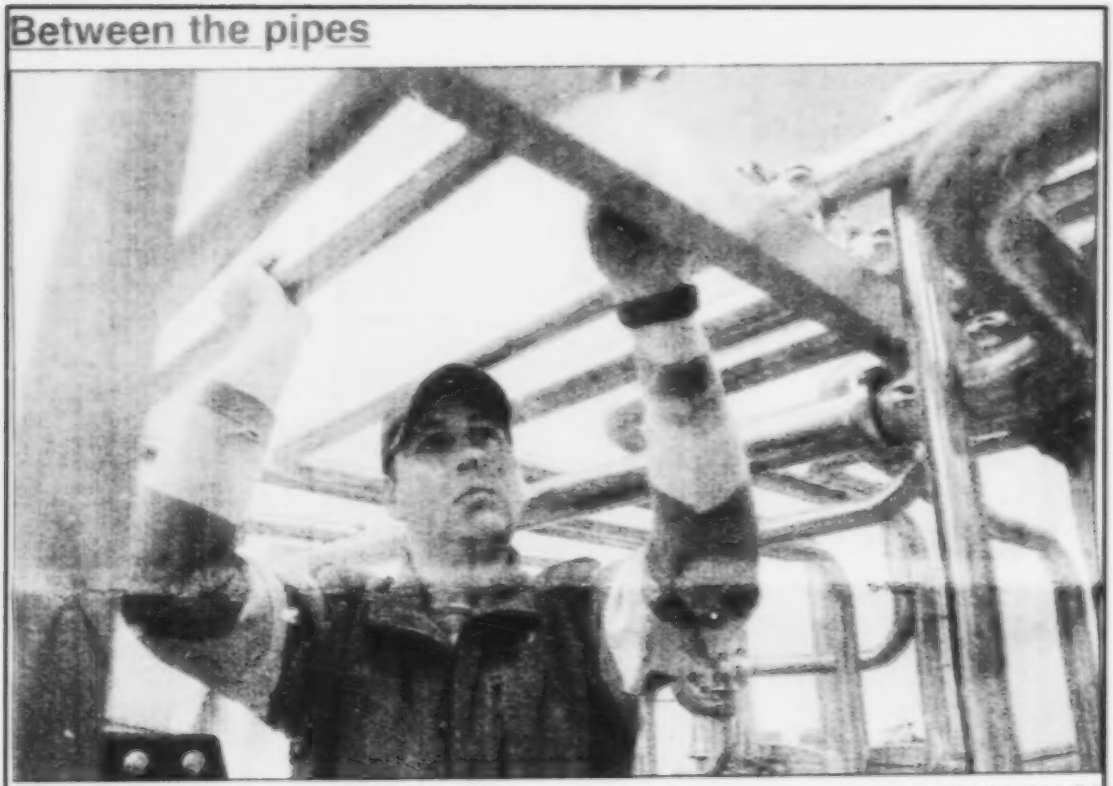
Hemp products can't be rolled into joints, but they just might help your joints, as well as providing other health benefits

Hemp

Winnipeg Free Press.
August 9, 2004, ppD1-D2.

'Berry' good news: Europe lifts ban on saskatoons

Winnipeg Free Press. November 16, 2004, pA3.



Between the pipes

Staff photo by Robert Dal

Stuart Henuset of Great Plains Aseptic Processors was fitting pipe yesterday morning for the heat exchanger at the company's new plant in Food Development Centre in McMillan Industrial Park.

Daily Graphic. December 2, 2004.

Traditional shortbread long on taste

Scottish recipe is generations old

By Bill Redekop

HEADINGLEY—It's kind of short, but not really, and it isn't really bread—that is, nobody would use it to make a salami sandwich.

So, why do they call it shortbread?

The "short" is the estimated time it takes to melt in your mouth, and the "bread" is because it was invented in 12th-century Scotland when someone decided to add butter to bread dough, explain the two women behind McGarva International Shortbread.

The "mmmmm" is the sound you make when you taste it.

Gwen Todd and her husband, Richard, emigrated from Scotland to a grain farm in the RM of St. Francois Xavier eight years ago. Her shortbread, from a recipe handed down by her grandmother McGarva, quickly got the attention of her new neighbours.

"Gwen won a lot of ribbons at rural fairs," explained business partner Sherry Desilets of Headingley. People urged her to make it on a commercial scale.

It took three years, but Todd and Desilets finally placed their new shortbread brand at the Human Bean Coffee Shop at The Forks last Christmas, and "it just flew off the shelf," said Desilets.

Next stop is the retail market. McGarva International shortbread is expected to start hitting grocery stores in Manitoba early in the new year. Independent grocers are especially keen to get it.

That's just the beginning. The women hope to take other pastries from out of church basements and rural bake sales and put them onto store shelves, too.

McGarva shortbread is very traditional. "It's the real McCoy," said Todd, in a telephone interview from Australia, on her farm west of Brisbane. She moved there two years ago, but she and Desilets still co-manage McGarva and are in touch almost daily.

"The real way to serve it, Gwen always says, is with a wee bit of Scotch," laughed Desilets.

McGarva shortbread has just four ingredients: butter, flour, sugar and corn starch. By comparison, a competing brand of shortbread lists 18 ingredients, including egg and mystery ingredients "colour, artificial flavour."

McGarva shortbread also comes in a traditional pie-shape, with sliced wedges called "petticoat tails," after the petticoat that used to show beneath the bell-hooped dresses of ladies of the king's court in the 12th century.

"We don't call them cookies. That's like calling a ship 'a boat' when talking to the captain," said Desilets.

So, what's so hard about making shortbread, if it only has four ingredients found in most households?

The devil is in the details, said Desilets. "There's a whole art behind it. Gwen would give people the recipe, and they just couldn't make it taste the same."

For example, different brands of flour give shortbread a different taste. If you mix ingredients too much, the dough becomes watery, if you cook it too long, it comes out too dry, if the butter isn't soft when you mix, it also throws off the taste.

"Those are the little secrets handed down from generation to generation," Desilets said. "It's my grandmother's own recipe," said Todd. She tweaked and fiddled with it until she got it just the way she liked it."

The women couldn't have developed their product without the Food Development Centre in Portage la Prairie, which helped adapt her shortbread for commercial production. FDC assisted with everything from packaging and health regulations, to testing for shelf life.

Creative Advantage in Winnipeg is helping with the launch into the retail market.

The women are hoping to come out with a shortbread for diabetics later this year. "We're testing it now," said Desilets.

McGarva International Shortbread is also available at the St. Vital Gift Shop.

McGarva will do most of its marketing in Manitoba, but will sell Canada-wide once its website is up later this year. It currently employs a year-round baker, but plans to add two more employees this year.

***Winnipeg Free Press*. December 29, 2004, pB3.**

FDC work nearing completion

Grand opening of expanded food research centre planned for April

BY JENNIFER ASHDOWN
The Daily Graphic

After many months of anticipation, the $13.6-million, 1,600-square metre expansion of Portage la Prairie's Food Development Centre is almost complete.

"Everything is running on all cylinders," said Marcus Schmuligen, FDC's business development manager.

The grand opening, scheduled for April 21, will be an international event attended by 300 people from as far away as Germany, China, Japan and Mexico, he said.

The expansion has also allowed Great Plains Aseptic Processors (GPAP) to set up in Portage. The company, which uses Tetra Pak technology for its commercial liquid food processing and packaging plant, will operate in a partnership with Food Development Centre. The Manitoba company's technology allows liquid food products to be stored for up to 12 months. Tetra Pak are often used as juice boxes.

John McAllister, president of GPAP, said the partnership will open the market to entrepreneurs and give them new opportunities to market their products all over the world.

"Suddenly the world is the marketplace, not just western Canada," he said. "This can apply to any product."

Schmuligen said FDC's federally-inspected food processing facility has more than 17 scientists from all over the world, as well as modern equipment including a spray dryer which separates nutrients from products such as granola meal.

The state-of-the-art equipment is particularly special because it will give entrepreneurs access to equipment which is normally only available to major companies that can spend millions of dollars on the technology, he said.

"We are a fee for services facility and that's what we're here for — to help out the entrepreneurs and the farmers to grow their businesses .... That exists nowhere else that I know," he said.

Staff photo by Jennifer Ashdown

Marcus Schmuligen, business development manager for Food Development Centre, stands in front of a spray dryer, which can be used to separate nutrients from goods such as canola. The sprayer is housed in an explosion-proof room with walls made of styrofoam-clad metal.

The centre has already talked to several farmers who are "very close" to developing a food product, but he can't go into any detail, he said.

"It's an amazing opportunity that Manitoba has right now to enter the stage in terms of ag. food," he said.

"Manitoba – small, Portage is smaller, but they will hear from us in the very near future," he said.

"Suddenly the world is the marketplace, not just western Canada."

— John McAllister, Great Plains Aseptic Processors

Schmuligen said it is difficult to predict how many jobs will be created by the expansion.

But when the renovations were announced in 2003, it was estimated the addition could bring up to 1,400 jobs to Portage over 15 years.

It was also estimated it would add $124 million in Manitoba's gross domestic product and $18 million to provincial taxes.

In April of 2003, the provincial government committed to spending $7.9 million and the federal government agreed to pay $2.9 million on the renovation.

Coun. Ken Brennan, head of the city's planning and economic development committee, is delighted by the facility's upgrade and the opportunities it will bring Portage and Manitoba.

"It's just a win-win situation for the city and the province and the whole," he said.

According to Schmuligen, the latest update makes sense for a facility which was the first food development centre in Canada when it was created in 1978.

"Today, we see the culmination and the end of that process," he said. "And it makes a lot of sense for it to be in Portage — it's the heart of agriculture."

***Daily Graphic*. February 4, 2005, front page.**

APPENDIX D.

Grand Opening Ceremonies Planning Committee

The Grand Opening Ceremonies for the brand new FDC pilot plant will take place on April 21, 2005. In order to ensure the success of the event, a committee consisting of volunteer FDC and MAFRI employees has been created.

Subcommittees have been arranged to take responsibility for refreshments and entertainment, speakers, the mailing list for invitations, the agenda for the day, arranging tours of the facility, compiling media kits, general clean-up before and after the event, client exhibits, literature for guests and FDC/GPAP mementos for guests.

FDC extends heartfelt thanks to all members of the committee for their hard work to date:

Ron Brodie, FDC - Chair
Paulyn Appah, FDC
Dana Buchannon, MAFRI
Rene Duchesne, FDC
Doug Jackson, MAFRI
Shelley Lagassé, FDC
Linda Lowe, FDC
Lynda Lowry, MAFRI
Diane Miller, FDC
Susan Nicholl, MAFRI
Meeling Nivet, FDC
Markus Schmülgen, FDC
Pat Scott, FDC
Jacqueline Simpson-Cleaver, MAFRI
Marilyn Smith, MAFRI
Karen Templeton, FDC
Bob Ward, MAFRI
Brian Wilson, MAFRI

Thank you !

APPENDIX E.

Sustainable Development Initiatives and Activities

In accordance with requirements of the Manitoba *Sustainable Development Act*, FDC includes information in its annual report about the progress made in incorporating sustainable development initiatives into its activities.

E.1. Research and Innovation

FDC is a facility for researching and developing value-added applications and processes for locally grown agricultural commodities and by-products. Innovation refreshes the industry by injecting into it a new layer of economic wealth based on discovery and invention. FDC activities in research and development lead to local germination of intellectual property, which is a rich and renewable resource and an important aspect of sustainable economic development.

FDC research in the agri-food sector includes activities for innovation in the biofuels sector. The Manitoba government fosters clean energy initiatives in support of the Kyoto Accord and has committed to the increased use of ethanol-blended fuels in the Province. The use of ethanol as a fuel component results in fewer greenhouse gas emissions that are damaging to the global climate.

A spin-off economic gain of this clean energy initiative lies in the extraction of ethanol processing co-products called dried distillers' grains (DDG) for food and feed applications. FDC is conducting a major research and development project for extracting, determining the nutritive value of and developing applications for DDG. DDG extraction and use constitutes a new source of revenue from the ethanol production process.

The commitment to clean energy use in Manitoba is an indicator that the ethanol and co-products industry is a sustainable economic activity.

E.2. Community Economic Development

As demonstrated throughout this annual report, FDC is committed to innovation in the agri-food industry in Manitoba through research and development. Where innovation occurs, the economic rewards return, like a renewable resource. Innovation through FDC research and development activities supports economic development in the Province, especially in the rural areas where agricultural business clients seeking to add value to their commodities are located. Indeed, the key performance measures of FDC are economic development measures.

The economic impact results of FDC activities are measured in number of jobs or businesses created, contribution to the GDP of Manitoba and increase in provincial taxes (*See also* Section VI.1.8.). FDC Information Services and Technology Transfer Services are the supporting foundation for the pillars of sustainable economic and community development in the agri-food sector.

Successful support of economic development requires service providers and the innovation infrastructure to have excellent communication channels for full awareness of programs and services their clients have access to and should be allowed to take advantage of. FDC staff serve clients well by working closely with colleagues in allied areas of service, including the following:

- Manitoba Aboriginal and Northern Affairs
- Manitoba Advanced Education and Training
- Other branches of Manitoba Agriculture, Food and Rural Initiatives
- Manitoba Conservation
- Manitoba Industry, Economic Development and Mines
- Manitoba Intergovernmental Affairs and Trade
- Manitoba Energy, Science and Technology
- Economic and community development corporations
- Funding and business development programs
- Research facilities and post-secondary education institutions

E.3. Waste Minimization and Substitution

MAFRI established a "Green Procurement Team" in 2001 to develop an action plan for minimizing waste in departmental work environments.

The Group Leader of FDC Administration is a member of the MAFRI Green Procurement Team. As the liaison between the team and FDC, she has apprised the Centre of waste minimization strategies designed for MAFRI.

Electronic documents are circulated on email or placed in shared access folders, in lieu of making paper copies for colleagues. Printing electronic files is discouraged except when necessary. A reference paper copy of internal documents, such as quarterly reports, is deposited in the FDC Library, instead of distributing a paper copy to each staff member. Only recycled paper is purchased for office use, double-sided photocopying has become standard practice and all non-confidential paper is recycled. Virtually no paper is put in waste containers destined for landfill disposal.

Copies of this report are available from FDC.

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